

## Message Text

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44

ACTION EB-07

INFO OCT-01 AF-06 ARA-06 EUR-12 EA-07 NEA-10 ISO-00

ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00

FEAE-00 FPC-01 H-02 INR-07 INT-05 L-03 NSAE-00 NSC-05

OMB-01 PM-04 USIA-06 SAM-01 OES-03 SP-02 SS-15 STR-04

TRSE-00 PA-01 PRS-01 /122 W  
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R 120917Z JAN 76

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 2113

INFO AMEMBASSY ALGIERS

AMEMBASSY CARACAS

AMEMBASSY JIDDA

AMEMBASSY KUALA LUMPUR

AMEMBASSY KUWAIT

AMEMBASSY LAGOS

AMEMBASSY LIBREVILLE

AMEMBASSY LONDON

AMEMBASSY MNILA

AMEMBASSY SINGAPORE

AMEMBASSY TEHRAN

AMEMBASSY TRIPOLI

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMEMBASSY VIENNA

AMCONSUL MEDAN

AMCONSUL SURABAYA

C O N F I D E N T I A L JAKARTA 0420

E.O. 11652: GDS

TAGS: ENRG, ID

SUBJECT: GOI REVISION OF OIL AGREEMENTS

REF: JAKARTA 0370

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BEGIN UNCLASSIFIED

1. PRESIDENT SUHARTO'S BUDGETARY MESSAGE TO PARLIAMENT JANUARY 7 CONTAINS SOMEWHAT PUZZLING REFERENCE TO REVISION OF AGREEMENTS WITH FOREIGN OIL COMPANIES. PRESIDENT'S REMARKS APPEAR IN SECTION DEALING WITH REVENUES AND IS PART OF GOI STATEMENT ON DRAFT STATE BUDGET FOR FY 76/77 (SEE REFTEL).

2. TEXT OF RELEVANT PORTION OF STATEMENT READS AS FOLLOWS:  
"ONE OF THE MAJOR SOURCES OF THE STATE REVENUES IS OIL CORPORATE TAX, WHICH FOR 1976/77 IS EXPECTED TO REACH 1,656 TRILLION RUPIAHS (\$4.0 BILLION), AN INCREASE OF 7.6 PERCENT. THIS INCREASE IS EXPECTED MAINLY FROM ADDITIONAL STATE REVENUES ACQUIRED THROUGH THE REDUCTION OF PROFITS GAINED BY OIL COMPANIES ON EACH BARREL THEY PRODUCED, EITHER IN THE FRAMEWORK OF CONTRACTS OF WORK OR PRODUCTION SHARING. IN THIS RESPECT THE GOVERNMENT SINCERELY SEEKS THE UTMOST UNDERSTANDING OF THE OIL COMPANIES CONCERNED REGARDING THIS POLICY ADOPTED BY THE GOVERNMENT, WHICH WILL COME INTO FORCE AS OF JANUARY 1ST, 1976."

END UNCLASSIFIED

BEGIN CONFIDENTIAL

3. PRESIDENT'S REMARKS CAME AS COMPLETE SURPRISE TO MEMBERS OF LOCAL OIL PATCH. REPRESENTATIVES OF COMPANIES CONTACTED BY EMBASSY EXPRESSED MYSTIFICATION OVER ANNOUNCEMENT WHICH SEEMED TO IMPLY UNILATERAL GOI DECISION TO REVISE PER BARREL PROFIT SPLIT. SIMILARLY, CONTACTS AT WORKING LEVEL IN PERTAMINA PRODUCED NO INSIGHT. NO COMPANY HAD RECEIVED ANY FORM OF OFFICIAL NOTIFICATION FROM GOI NOR HAD ANY RECENT DISCUSSIONS BEEN HELD. CALTEX, WHICH HAS BEEN CONDUCTING TALKS WITH GOI ON RENEGOTIATION ITS CONTRACT OF WORK AGREEMENT, EQUALLY SURPRISED AT NEWS. COMPANY OFFICIALS EXPLAINED THAT DISCUSSIONS WITH GOI HAD BEEN SUSPENDED LATE DECEMBER WITH NO RESULTS ACHIEVED.

4. ON AFTERNOON JANUARY 9, EMBASSY SUCCEEDED IN CONTACTING WIJARSO, DIRECTOR OIL/GAS AT MINMINES AND DIRECTOR GENERAL AFFAIRS AT PERTAMINA, FOR CLARIFICATION/EXPLANATION. WHILE ACKNOWLEDGING THAT STATEMENT WAS MISLEADING, WIJARSO EXPLAINED  
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THAT REFERENCE TO REVISION OF AGREEMENTS WITH OIL COMPANIES WAS STATEMENT OF GENERAL POLICY WHICH GOI WOULD LIKE TO IMPLEMENT FOLLOWING NEGOTIATIONS WITH COMPANIES. IT DID NOT REPEAT NOT REPRESENT FAIT ACCOMPLI OR ANY ACTUAL DECISION. HE IMPLIED THAT IT WAS SIMPLY RE-STATEMENT OF DECISION MADE LAST FALL BY GOI TO SEEK ADDITIONAL REVENUE THROUGH REVISION OF AGREEMENTS WITH OIL COMPANIES. WIJARSO GAVE NO INDICATION AS TO WHEN DISCUSSIONS WOULD BEGIN (OR RESUMED AS IN CALTEX'S CASE). HE CONFIRMED THAT GOI'S MAIN FOCUS OF ATTENTION ON PRODUCTION-SHARING AGREEMENTS WOULD BE ON COST RECOVERY WITH AIM TO STANDARDIZE AND

TIGHTEN UP TERMS.

5. COMMENT: WE UNDERSTAND SPEECH WAS DRAFTED BY DR. WIDJOJO, CHAIRMAN NATIONAL PLANNING BOARD, AND WAS NOT CLEARED WITH PERTAMINA OR OIL AND GAS DIRECTORATE AT MINMINES BEFOREHAND. WE HAVE JUST LEARNED THAT PERTAMINA, AT ITS OWN INITIATIVE, HAS BEEN CALLING IN SOME OF THE COMPANIES OVER THE WEEKEND TO CLARIFY PRESIDENT'S STATEMENT. END COMMENT.

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## Message Attributes

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**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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**Draft Date:** 12 JAN 1976  
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**Disposition Approved on Date:**  
**Disposition Authority:** GolinoFR  
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**Disposition History:** n/a  
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**Disposition Remarks:**  
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